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FM AMEMBASSY TOKYO  
TO RUEHC/SECSTATE WASHDC PRIORITY 8386  
INFO RUCNWTO/WORLD TRADE ORGANIZATION COLLECTIVE PRIORITY  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 2408  
RUEHRL/AMEMBASSY BERLIN PRIORITY 1682  
RUEHFR/AMEMBASSY PARIS PRIORITY 6599  
RUEHRO/AMEMBASSY ROME PRIORITY 2320  
RUEHUL/AMEMBASSY SEOUL PRIORITY 9073  
RUEHBY/AMEMBASSY CANBERRA PRIORITY 3338  
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0027  
RUEHNH/AMCONSUL NAHA PRIORITY 0394  
RUEHNAG/AMCONSUL NAGOYA PRIORITY 5160  
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 1860  
RUEHKSO/AMCONSUL SAPPORO PRIORITY 8549  
RUEHFK/AMCONSUL FUKUOKA PRIORITY 8048  
RHMCSUU/DEPT OF ENERGY WASHINGTON DC PRIORITY  
RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC PRIORITY  
RUEAEP/HAQ EPA WASHDC PRIORITY  
RHEHAAA/NSC WASHDC PRIORITY  
RUEHBS/USEU BRUSSELS PRIORITY  
RUCPDO/USDOC WASHDC PRIORITY  
RUEATRS/TREASURY DEPT WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 TOKYO 002926

SENSITIVE  
SIPDIS

STATE FOR EAP/J  
STATE ALSO FOR S/SECC, OES/EGC, AND EEB/IEP  
PASS TO USTR FOR AUSTR CUTLER AND M. BEEMAN  
PASS TO COMMERCE FOR H. MISISCO, K. ROTH, D. BARZDUKAS  
PASS TO EPA FOR S. FULTON  
PASS TO DOT FOR L. LAWSON, C. MILTTELHOLTZ

E.O. 12958: N/A  
TAGS: [EIND](#) [ETRD](#) [SENV](#) [PREL](#) [WTRO](#) [ENRG](#) [JA](#)  
SUBJECT: JAPAN MAY EXTEND "CASH FOR CLUNKERS" PROGRAM

REF: A. TOKYO 890  
[1](#)B. TOKYO 2464

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[1](#)1. (SBU) Summary: Japan's second FY09 supplementary budget will likely extend its auto purchase incentive program for certain fuel-efficient vehicles. No U.S. autos qualify, and although U.S. automakers advocate modification of the program, their main concern is preservation of benefits they currently receive under a separate program as low-volume importers. It is still unclear when the Cabinet will reach a final decision, but all indications suggest Japan is likely to extend the program in its current form. End summary.

#### Proposed Program Extension

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[1](#)2. (U) The government's second FY09 supplementary budget draft, currently under consideration in the Cabinet, will likely include a six-month extension of the auto purchase incentive program. The "cash for clunkers" element offers a cash incentive for consumers who scrap older vehicles and purchase models that meet certain fuel-efficiency requirements (ref A). The program, originally scheduled to end March 31, 2010, was enacted in April 2009 as part of an overall economic stimulus package. However, GOJ cabinet members have recently suggested publicly that a continuation is in the works. National Strategy Bureau (NSB) Minister Kan was quoted recently as lauding this "highly effective policy," and Minister of Economy, Trade and Industry (METI) Naoshima publicly stated the program might be extended for six months. In addition to the "cash for clunkers" scheme,

buyers of fuel-efficient vehicles are also exempted from the auto acquisition tax and the automobile weight tax through March 2011. As a result, benefits accrued to buyers of fuel-efficient vehicles can potentially total 400,000 yen (approximately \$4,500).

¶3. (SBU) The Cabinet is expected to approve December 4 the outline of a new fiscal stimulus package, which includes 260 billion yen (approximately \$2.8 billion) for eco-friendly cars. However, it is unclear when the GOJ will make a final decision on the auto purchase incentive program extension, a METI official told Embaff December 2.

#### Effect on U.S. Automakers

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¶4. (SBU) No imported American automobiles, which totaled approximately 14,000 in 2008, qualify for the "cash for clunkers" purchase incentives. This is because of the program's requirement for Japanese fuel efficiency data that does not apply to the program under which most U.S. vehicles are currently imported. Many U.S. autos are imported under the Preferential Handling Program (PHP), which allows for streamlined importation of low-volume auto imports (2,000 or fewer per model) without the need for fuel efficiency tests. To compete with the various purchase incentive programs, the U.S. auto industry in Japan estimates it cuts sticker prices approximately \$4,500 per vehicle, thus squeezing profits, American auto executives told Embaffs. U.S. automakers in Japan intend to submit by December 4 a formal joint statement to METI, which includes a request that the GOJ eliminate the fuel-efficiency requirement from the eligibility criteria of the "cash for clunkers" program. However, METI told us

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December 2 the decision will be made at the Cabinet level; Embassy sources further speculate the GOJ is unlikely to modify the program from its current form. Regardless of the GOJ's decision on the "cash for clunkers" program and other incentives, U.S. automakers have told us their top priority is still to ensure their companies will continue to benefit from the PHP.

#### Comment

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¶5. (SBU) The GOJ appears poised to extend the popular purchase incentive program despite repeated discussion of USG and industry concerns with GOJ officials in Tokyo and in Washington, including during the October 28 Trade Forum Talks. Japan's new government has been outspoken in its support of "eco-friendly" measures, and the auto purchase incentive program has reportedly buoyed auto sales for Japanese subcompact and hybrid models. METI officials told U.S. automakers that "next time" the GOJ introduces this type of program, it would consider U.S. automakers' concerns, but it seems unlikely that the GOJ will modify the program; rather, the decision will be whether or not to extend the incentives in their current form. It seems equally unlikely U.S. automakers -- a small presence in Japan -- will be able to influence this decision.

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